

CITY OF BULAWAYO

BUDGET SPEECH FOR THE YEAR ENDING 31 DECEMBER 2016

HIS WORSHIP THE MAYOR, DEPUTY MAYOR, COUNCILLORS, LADIES AND GENTLEMEN

1. INTRODUCTION

It is truly an honour and a privilege to address this sitting of Council on this important occasion - the presentation of the proposed budget statement for the financial year beginning 1st January 2016 and ending 31st December 2016.

I would like to start by paying my respects, on behalf of Council, to the late Town Clerk of this City who passed on, on the 27th of September 2015. The Council acknowledges the good works he has done for the City. My condolences to his family, Councillors, staff, management and all the residents of Bulawayo.

2. ECONOMIC BACKGROUND

The domestic economy continues to be affected by challenging factors and the trend is expected to continue to year 2016. These constraints in turn affect economic transformation as companies are not able to increase the productivity of their resource inputs and upgrade technologies used in production. This leaves a lot of our residents out of employment. The economy is currently reeling under high formal unemployment, low productivity and low wages. The government has revised the GDP growth forecasts downwards from 3.2% to 1.5% meaning that marginal improvement is anticipated in light of deindustrialization and growth of informal economy in the year 2016. The new electricity loading schedule is likely to put a strain in industry, further compounding the productivity challenges currently faced. These factors unfortunately, have a negative impact on Council's budget performance as residents and companies are finding it difficult to settle their bills on time. Council ability to service creditors and improve service delivery will be constrained even more.

3. INFLATION AND INTEREST RATES

Inflation currently pegged at -2.77% is projected to be at -0.97% by mid-December this year. The prices of goods and services thus remained largely unchanged and it is hoped in 2016 the inflation rate will be favourable.

Interest rates remained stable and pegged at 15% on average per annum during the year. The high interest rates prevented the local authority from meaningful borrowing to update technologies used in production, leaving little or no room for expansion. In the same vein, Council is not able to adequately fund infrastructural development, maintenance and repairs which is dilapidated due to high finance costs.

4. MANUFACTURING, AGRICULTURE, MINING AND FINANCE SECTORS

The manufacturing, Agriculture, and finance sector are the major players in the economy and their performance is key in reviving the economy. Council notes with interest that some companies re-investing in the city, notably Archer Clothing factory, while the banking industry recorded a 28% growth rate. The challenges in the manufacturing sector have left the majority of our citizens out of formal employment. This has largely been attributed to an influx of cheaper imported goods. Council is confident the measures government is putting in line with Zimbabwe Agenda for Sustainable Socio Economic Transformation (ZIM-ASSET) will yield positive results. It is hoped the good rains in the up streams of the Zambezi River will see an improvement in the supply of electricity for the good of the business operations, the shortage of which, is compounded by low water levels at Kariba dam. The interest rates on loans from financial institutions (as alluded above) are too high to borrow specifically for infrastructure development and growth of the city in general. Council hopes promises of grant funding will be fulfilled which will see Council improve its dilapidated infrastructure.

5. 2016 BUDGET GUIDELINES

Your Worship, this budget has been crafted according to the ministerial guidelines contained in Local Government Circular No.3 of 2015, the highlights of which are:

1. Budget estimates should be a product of an extensive participatory process
2. Budget forecasts should be guided by collection trends
3. Cost effective tariffs should be charged
4. Loss making units/operations which are being subsidised should be disclosed as well as the authority for these subsidies
5. The budget must capture the aspirations of the ZIM-ASSET
6. A realistic commitment to the employment costs to recurrent expenditure, of 30%:70% should be shown

At this juncture Your Worship, allow me to mention the two categories of employment costs i.e., direct and indirect costs that are included in this budget. Direct labour costs total \$ 40,274,479 of the total budget, while indirect labour costs amount to \$ 18,753,444. The above constitute 38% and 17% of the total budget respectively, and these are as follows;

EMPLOYMENT COSTS	% to budget	Amount
		US \$
DIRECT LABOUR COSTS		
Maintenance of parks, nature reserves & swimming pools		1,799,096
Fire & ambulance services, security guards, traffic control and public lighting services		13,185,807
Refuse removal & disposal, pest control & street cleaning services		2,000,033
Maintenance of all 19 council clinics and the provision of primary health care, a hospital & a pharmacy services		9,636,576
Provision and maintenance of burial space		417,778
Maintenance of Council flats and hostels, & housing offices services		25,615
Maintenance of Council's 29 primary education schools and 1 secondary school, 9 libraries and 25 pre-schools services		1,638,247
Council workshops, roads provision, street lighting, works plant leak detection & sewerage jobbing services		9,186,849
Maintenance of various sewerage reticulation & treatment plant & pump stations and sewerage ponds		1,524,740
Water conservation , purification, and delivery activities		859,738
TOTAL	38	40,274,479
INDIRECT LABOUR COSTS - Administration	17	18,753,444
TOTAL LABOUR COSTS	55	59,027,923
TOTAL BUDGET		107,633,672

6. FACTORS CONSIDERED IN COMING UP WITH THE BUDGET

In crafting the 2016 budget, Council took into consideration the following factors:

- a) ZIM ASSET (clusters 3 and 4)
- b) Economic indicators
- c) Financial position of council - Liquidity
- d) Vulnerable Groups- Ability to access basic services
- e) Decline in formal employment
- f) Ministerial guidelines (as indicated above)

7. CONSULTATIONS

The first budget consultations of stakeholders for 2016 budget were held from the 14th of August 2015 to the 5th of September 2015. The first consultation was meant to review the 2015 budget and set priorities for the year 2016. Thirty-two meetings were held as opposed to the prior year when twenty-nine meetings were held. A total of 2086 residents comprising 1056 men and 1030 women attended the first consultations. In the previous year, a total of 1894 residents comprising 949 men and 945 women attended the first consultations meetings. This year's first consultation attendance increased by 10% compared with the previous year, indicating an improvement in budget participation by stakeholders.

After considering the views from all wards the following priorities were set:

Priority	Service
1	Water
2	Health
3	Sewerage
4	Housing
5	Roads
6	Education
7	Public Lighting
8	Social Services
9	Fire & Ambulance

The second consultations with residents were held from the 2nd of October 2015 to the 6th of the same month. The main aim of the second consultation was to confirm the priorities set by residents and seek approval for the 2016 proposed budget. Again, a total of 32 meetings were held as opposed to the twenty nine held in the prior year. However, it is noted that the business community meeting was aborted due to poor attendance and only one person was attended to on specific issues. These meetings saw a total number of 2146 stakeholders turning up for the budget consultative meeting. The figure comprises 1053 men and 1093 women. In the previous year 1635 stakeholders attended the consultation meeting which is a 31% increase. All wards accepted the proposed budget.

The 2016 revenue budget proposal of \$107.6 million is a stand still budget where there are no tariff increases. It seeks to address infrastructural maintenance and repairs, amortization of creditors, servicing of loans, as well as providing for the daily operations of the Council.

The capital budget is pegged at \$45.9 million. The projects will be funded from borrowings, internal sources and/or grant funding.

In the midst of the economic challenges, Council appeals to all citizens of Bulawayo to pay their bills. Currently the City is not in a position to invest as there are no surplus funds. The increase in debtors is an indication that some stakeholders are not honouring their obligations, a scenario which is not healthy for the survival of our City. Let us be proud citizens who pay their bills. Together we can improve service delivery and the well-being of our citizens, making our City a better place to live in.

8. 2016 BUDGET

Your Worship, in view of the foregoing, I propose that the Total Budget for 2016 be pegged at \$ **153,611,644** broken down as follows;

Budget type	Amount US\$
Revenue budget	107,633,672
Capital budget	45,977,972
Total	153,611,644

9. REVENUE BUDGET BY ACCOUNT

ACCOUNT	Expenditure \$	%	Income \$	%
Rate & General Services Account	48,812,550	45	50,262,613	47
Housing Account	2,008,771	2	2,993,449	3
Health & Community Services Account	27,692,930	26	4,364,243	4
Estates Account	776,925	1	5,248,959	5
Sewerage Account	7,019,846	6	12,077,576	11
Water Account	21,322,650	20	32,686,832	30
Total	107,633,672		107,633,672	

9.1 RATES AND GENERAL SERVICES ACCOUNT

Total revenue expenditure for the rates and general services account for the year 2016 amounts to \$48.82 million and the income budget for the account is \$ 50.26 million. A surplus of \$1.45 million will be used to fund other services. Revenue budget for services under this account is allocated as follows.

- ADMINISTRATION

Revenue expenditure for administration amounts to \$18.40 million and will be financed mainly from property taxes. This expenditure includes general expenses, staff and maintenance costs of the administrative offices throughout the City.

- RECREATION

Total expenditure under this service amounts to \$3.55 million and includes maintenance of Council parks, swimming pools. This will be financed from income budgeted under this service and any deficit will be funded from property tax income.

- PROTECTION

Ambulance services, Fire brigade, Public lighting, security services and Traffic Control constitute protection services with a total revenue expenditure budget of \$8.52 million. This will be funded from income budgeted under this service and any deficit will be funded from property tax income.

- **HEALTH SANITATION**

Health sanitation is composed of solid waste management, refuse disposal and public conveniences. The total revenue expenditure budget for this service is \$ 6.93 million. This will be funded from income budgeted under this service and any surplus arising will fund other services.

- **HEALTH GENERAL**

This service comprises health service administration, environmental management and pest control. An amount of \$3.17 million is budgeted for under this service. This will be funded from income budgeted under this service and any deficit will be funded from property tax

- **WORKS**

An amount of \$ 8.25 million is budgeted under this service that comprises roads maintenance, bridges and subways and storm water drainage and council workshop services. These will be funded from income budgeted under this service and any deficit will be funded from property tax.

9.2 HOUSING ACCOUNT

A total amount of \$2.00 million is budgeted under this service as revenue expenditure. Funding will come from budgeted rentals. The budget on this account is for the administration of housing offices, housing registry, maintenance of Council flats, hostels and other housing structures. Please note, servicing of stands is provided for in the capital budget.

9.3 HEALTH AND COMMUNITY SERVICES

A total revenue expenditure budget of \$ 27.69 million is provided for under this account. The budgeted income amounts to \$ 4.36 million. Part of the deficit will be financed from the Rates and General Services account. Revenue budget for services under this account is indicated below.

- **PERSONAL HEALTH**

Primary health care is budgeted for under personal health service. Revenue expenditure for nineteen (19) clinics and one (1) hospital amounts and a pharmacy is \$14.39 million. The deficit under this service will be met from other surplus making services.

- **CEMETERIES**

A budget for \$ 0.71 million is provided for cemeteries maintenance. The cemeteries need to be maintained.

- **EDUCATION SERVICES**

An operational expenditure budget of \$5.16 million in this service is for provision of primary education at the 29 council primary schools and one secondary school. Expenditure includes acquisition of text books and other supporting materials, and the general up keep of the school.

- **COMMUNITY SERVICES**

Libraries, halls, stadia, and youth clubs among other services fall under community services. An expenditure of \$7.28 million is provided for repairs and maintenance as most of Council Halls and Youth Clubs are in dilapidated state.

9.4 ESTATES ACCOUNT

Operational and maintenance costs for the Bus Termini and other Council properties are budgeted at \$0.78 million under this account.

9.5 SEWERAGE ACCOUNT

Provision of sewerage services entails operation of sewerage treatment works, pump stations and sewerage disposal. Equipment acquired to assist in managing our sewer system has to be maintained as well. Revenue expenditure of \$7.0 million is provided for this service while income is expected to amount to be \$12.10 million. The surplus will be applied to the maintenance of the sewerage system.

9.6 WATER ACCOUNT

The water account encompasses conservation, administration, delivery, purification and reticulation of water. A revenue expenditure budget of \$ 21.32 million is provided for the water account. The income budget is \$ 32.60 million. The surplus income in this account will be applied to rehabilitate water infrastructure and finance other important services such as personal health.

10. RECOMMENDED TARIFFS

Council has not increased tariffs for the 2016 operating budget. In a bid to ease pressure from stakeholders, Council proposes to continue charging 2015 tariffs. As such, Council has put in place controls to ensure that residents are charged properly.

11. CAPITAL BUDGET

The proposed 2016 capital budget is expected to contribute towards improved management of the city's existing infrastructure which is; water and sewerage infrastructure, servicing of roads and the maintenance of this infrastructure, including other Council properties. The 2016 proposed capital budget has been compiled with due consideration to the direct impact that it would have on the operating budget and the Council cash position where projects are to be funded from either internal sources or from grant funding. Further consideration has been made to the Ministry's guidelines in coming up with the 2016 capital budget, which is as follows;

ACCOUNT GROUP	AMOUNT	%
Rate & General Services Account	14,599,103	32
Housing Account	875,872	2
Health & Community Services Account	9,335,770	20
Estates Account	3,040,090	7
Sewerage Account	2,743,000	6
Water Account	15,384,137	33
Total	45,977,972	100

12. CONCLUSION

In conclusion, Your Worship, the 2016 proposed budget is a standstill with no tariff increases. I want to emphasize that consumers take paying for services as priority in order for Council to improve service delivery. The Council would like to recognize in a special way those rate payers who continued to pay their dues to Council regularly. *You make the City proud.* Consumers who are facing difficulties in paying their bills are encouraged to make payment arrangements and honour them. As proud citizens of this City, let us come together and contribute towards the common good of our beloved City.

Councillors, Management, and staff make a commitment to continue providing leadership and making our City a model for other Councils to emulate. We have established a footprint as a leader in local government, let us promote this legacy. Let us make our tomorrow be better than today.

I therefore lay the budget for your consideration.

I thank you!

Councillor J Sithole

**CHAIRMAN OF THE FINANCE AND
DEVELOPMENT COMMITTEE**